Boston Tech Conference Expo

Financing Technological Innovation

by

Olaoluwa Adeleke, MBA

April 12, 2024,
## A Brief Introduction of Me

<table>
<thead>
<tr>
<th><strong>Full Name</strong></th>
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<tbody>
<tr>
<td>Olaoluwa Adeleke “Ola”</td>
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<table>
<thead>
<tr>
<th><strong>Education</strong></th>
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<tbody>
<tr>
<td>Master of Advanced Management (MAM) - Yale School of Management</td>
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<tr>
<td>Master of Business Administration (MBA) - HEC Paris</td>
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<tr>
<td>Bachelors in Materials Engineering (BSC) - Obafemi Awolowo University</td>
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<tr>
<th><strong>Experience</strong></th>
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<tbody>
<tr>
<td>Student Funding Coordinator - Tsai Center for Thinking At Yale</td>
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<tr>
<td>- <em>Early-stage investment (non-dilutive)</em></td>
</tr>
<tr>
<td>Finance and Strategy Associate – Darway Coast (backed by IFC)</td>
</tr>
<tr>
<td>- <em>Project Finance (raised $15M and got $10M additional commitment)</em></td>
</tr>
<tr>
<td>Investment Banking Professional – CardinalStone Partners Limited</td>
</tr>
<tr>
<td>- <em>Mergers &amp; Acquisitions (LBO, MBO, Divestment, Spin-off, Demerger)</em></td>
</tr>
<tr>
<td>- <em>Debt and Equity capital raise (raised over $500M)</em></td>
</tr>
<tr>
<td>- <em>Structured Finance (Security-backed lending)</em></td>
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<table>
<thead>
<tr>
<th><strong>Key Capabilities</strong></th>
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<tbody>
<tr>
<td>- Financial modeling &amp; valuation</td>
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<thead>
<tr>
<th><strong>Hobbies</strong></th>
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<tr>
<td>Traveling</td>
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Section A:
Current Investment Trends in the Technological Space
Global private capital is $15 Trillion and has tripled in the last decade

Buy-out > Venture capital > Growth Capital

24% of Global deal happened in the Technological space

Source: Bain & Company – Global Private Equity Report 2024
Technology PE deal in the US Market

- Effect of high inflation and high interest rate environment

Source: Bain & Company – Global Private Equity Report 2024
Deal within the US Technological Space

- AI & ML, BioTech and FinTech dominate the investment scene in the last 12 months

Source: Pitchbook
Section B: Ventures Lifecycle and their Funding Strategies
# Ventures Lifecycle and their Funding Strategies

<table>
<thead>
<tr>
<th>Stage</th>
<th>Idea or Product Development Stage</th>
<th>Customer Acquisition Stage</th>
<th>Growth and Expansion Stage</th>
<th>Matured Stage</th>
<th>Post-IPO, Distressed, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size &amp; Typical Valuation</strong></td>
<td>Up to $15M at &lt;$50M valuation</td>
<td>$15M - 200M at $50M - $1B valuation</td>
<td>Up to $1B at Up to $10B valuation</td>
<td>&gt;$500M at &gt;$1B valuation</td>
<td>&gt;$1B at &gt;$1B valuation</td>
</tr>
<tr>
<td><strong>Use of Fund</strong></td>
<td>Market and product research</td>
<td>Commercial level scaling</td>
<td>Expanding across geographies &amp; product offerings Bolt-on, tuck-in</td>
<td>Market consolidation</td>
<td>Market consolidation</td>
</tr>
<tr>
<td><strong>Investment Type</strong></td>
<td>Business plan &amp; Prototype</td>
<td>Marketing</td>
<td></td>
<td>Capital Expense</td>
<td>Distressed</td>
</tr>
<tr>
<td><strong>Typical Investors</strong></td>
<td>development</td>
<td>Team expansion</td>
<td></td>
<td></td>
<td>Capital Expense</td>
</tr>
<tr>
<td><strong>Investment Bank</strong></td>
<td></td>
<td></td>
<td></td>
<td>IPO, SPAC, Private placement, Right issues, Bonds, CP</td>
<td>Private placement, Right issues, Bonds, CP</td>
</tr>
</tbody>
</table>

- **Grants, Pre-Seed, Seed, Safe, Convertible note**
- **Series A, Series B, Convertible Note**
- **Series C..., Growth Equity, Convertible Note Private Placement**
- **Private placement, Right issues, Bonds, CP**

- **Bootstrap**
- **Angel investors**
- **Accelerators**
- **Early-VC**
- **Family offices**

- **Super Angel**
- **Venture Capital**
- **Family Office**
- **CVC**

- **Late-stage VC**
- **Private Equity**
- **Strategies**
- **CVC**

- **The public**
- **Private Equity**
- **Hedge Funds**
- **Banks**

- **The public**
- **Specialised PE**
- **Hedge Funds**
- **Banks**

Source: Silicon Valley Bank | Startups.com
What does an Investment Bank do??

Key Services:
- Advisory services such as M&A, equity and debt capital raising
- Manage all other transaction parties
- Liaise with regulators
- Serves as the contact point with other party (buyer/seller)
Section C: Funding your Next Venture: Early-Stage companies
Key Investment Considerations – POCDR

People: Competence
- Who are they?
  - Accomplishments, relevant experience, and skills?
  - Network capital and reputation
  - Realistic? Adaptive? Perseverant?
  - Their motivations, how committed?
  - Can they work together?

Opportunity: Doability
- Who are the customers and competitors?
- SWOT Analysis
- Unit economics, profitable???
- The cost to support and retain customers
- Growth potential of the industry and technology

Context: External factors
- Macro-economic condition
  - Government regulation and support
  - Technological trends

Deal: Incentives
- What is the current capital structure?
  - From whom will the capital be raised from?
  - Is the valuation fair? Are there competing investors?
  - How much money should be raised?
  - How will the money be spent?
  - At what terms (pricing, control rights, milestones, strategic

Risk: What could go wrong?
- People risks
- Market risks, competitive risks, technology
and operational risks
- Regulatory risks, systemic risks
- Financial risks, legal risks

Source: Yale VCPE
<table>
<thead>
<tr>
<th>Key Concepts</th>
<th>Considerations</th>
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</thead>
</table>
| Capitilization Table (CAP Table) | - Clear and proper account for ownership  
- Preferred stock, liquidation preference, |
| Valuation | - DCF  
- Comparables (PE, EV/EBITDA, EV/Revenue)  
- VC Method |
| Key Employees’ Agreements | - Vesting provisions – Step vs Cliff  
- Stock option  
- Key man clause |
| Key Investors’ Agreements | - Voting Agreement  
- Indemnification  
- Investor rights agreement  
- Right of first refusal and co-sale agreement |
| Key Investors’ Terms | - Dividends  
- Liquidation preference – seniority in the event of liquidation  
- Voting rights - Control  
- Protective provisions/negative covenants – Sales, M&A, Founders’ Exit  
- Anti-dilution provisions – in the case of down round (full-rachet, weighed average)  
- Investors’ right – drag along vs tag along/right of first refusal  
- Redemption rights – forcing founders to buy back (not common) |

Source: Yale VCPE
Section D: Financing Strategy for Renewable Energy Projects
Structure of a Typical Renewable Energy Project

Project Agreements

- Project Operating Agreement
- Site Lease, Access Rights, Easement
- Equipment Supply Agreement
- Equipment Warranty
- Construction Contract
- Transmission and Interconnection Agreement
- Power Purchase Agreement
- Fuel Supply Agreement
- O&M Contract
- Long-Term Service Agreement (LTSA/CSA)
- Insurance
- Indemnification Agreements
- Construction Loan Agreement
- Term Loan Agreement
- Equity Purchase and Sale Agreement

Source: Yale REPFF
### Financing Strategy for Renewable Energy Projects

#### Key Renewable Energy Incentives

<table>
<thead>
<tr>
<th>Incentive</th>
<th>How it works?</th>
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<tbody>
<tr>
<td><strong>US Tax Accelerated Schedule</strong></td>
<td>- Modified Accelerated Cost Recovery System (&quot;MACRS&quot;)&lt;br&gt; 5-year depreciation schedule&lt;br&gt;Double declining balance method&lt;br&gt;Net Operating Losses incurred after 12/31/2017 can be carried forward indefinitely</td>
</tr>
<tr>
<td><strong>Efficient Tax Payer</strong></td>
<td>- Project company can be a pass-through entity</td>
</tr>
<tr>
<td><strong>Net Operating Losses Carried Forward</strong></td>
<td>- If a taxpayer is generating losses, it may carry the benefits forward from when the project generates income&lt;br&gt;- In the USA, only 80% of the taxable income can be offset by NOLs (based upon the Tax Cut and Jobs Act of 2017)</td>
</tr>
<tr>
<td><strong>Production Tax Credit</strong></td>
<td>- The credit is a function of how much energy is actually produced by the installation in a given time period.&lt;br&gt;- Credit is dollar-for-dollar offset of taxes due (not a reduction in taxable income)&lt;br&gt;- Available for first 10 years of operation&lt;br&gt;- Full credit amount equals 2.8 ¢/kWh, escalated for inflation</td>
</tr>
<tr>
<td><strong>Investment Tax Credit</strong></td>
<td>- The predominant tax incentive for solar projects in the USA&lt;br&gt;- Credit is dollar-for-dollar offset of taxes due (not a reduction in taxable income)&lt;br&gt;- Upfront credit, received following the Placed-In-Service date&lt;br&gt;- Full credit amount equals 30% of project value&lt;br&gt;- Credit can be carried forward for 22 years and carried back 3 years&lt;br&gt;- Must remain in service for 5 years, or else a portion of the credit will be subject to</td>
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**Domestic Content:** 10% bonus for use of domestic steel, iron and manufactured products

**Energy Community:** 10% bonus on brownfield sites, former coal sites, or high unemployment zones
Q & A Session
Let’s keep the conversation going via

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### Pass-through entity

<table>
<thead>
<tr>
<th></th>
<th>Main Business</th>
<th>Energy Project</th>
<th>Combined Companies</th>
</tr>
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<tbody>
<tr>
<td>Revenue</td>
<td>460</td>
<td>40</td>
<td>500</td>
</tr>
<tr>
<td>less: Operating Expenses</td>
<td>(100)</td>
<td>(10)</td>
<td>(110)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>360</td>
<td>30</td>
<td>390</td>
</tr>
<tr>
<td>less: Tax Depreciation Expense</td>
<td>(50)</td>
<td>(90)</td>
<td>(140)</td>
</tr>
<tr>
<td>EBIT</td>
<td>310</td>
<td>(60)</td>
<td>250</td>
</tr>
<tr>
<td>less: Interest Expense</td>
<td>(10)</td>
<td>(40)</td>
<td>(50)</td>
</tr>
<tr>
<td>EBT or Taxable Income</td>
<td>300</td>
<td>(100)</td>
<td>200</td>
</tr>
<tr>
<td>Taxes Payable (at 21%)</td>
<td>(63)</td>
<td>-</td>
<td>(42)</td>
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